

## **Emergency Relief Study on the Needs of Palestinian Women Entrepreneurs**

PREPARED FOR:

BUILDING A MICRO FINANCE INDUSTRY IN THE WEST BANK AND GAZA PROJECT (ISAMI)  
THE US AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)

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## BACKGROUND

Recent developments in the political sphere are bound to negatively impact the economic well being of many people in the West Bank. Unemployment is on the rise and sources of income have deteriorated. As employment opportunities decrease, more and more people are turning to informal economic activities in order to secure even minimal income for their families. It is likely that women's involvement in micro income generation projects will also begin to increase. On the other hand, women borrowers are facing increased difficulties in making their loan payments and Micro Finance Institutions (MFIs) are struggling to collect their money and are facing increased risk of capital erosion. Most women's projects were hard hit during the recent Israeli military incursions in the West Bank. Some of these projects were subject to material and physical damage and others were forced to close down for long periods of time resulting in lost sales, income and inventory.

Through the FS IQC Task Order #802, "Building a Microfinance Industry in the West Bank and Gaza" (ISAMI Project) USAID is supporting a program of technical assistance and training to commercial banks and non-profit organizations to develop a sustainable micro lending industry in the West Bank and Gaza, targeting its Strategic Objective #1, "*expanded private sector economic opportunities*." Small- and microenterprises account for approximately ninety-five percent of the business in the West Bank and Gaza. There is a need to make formal credit available to these enterprises. Chemonics International and its partners are implementing the project to enhance the potential for rapid growth of microlending and to make the availability of this product and other related financial services a permanent and sustainable feature in the region.

The ISAMI project asked Massar to conduct a quick assessment of Palestinian women entrepreneurs' needs, problems they've faced as a result of the recent Israeli military operations, and the assistance that might be needed by both existing and future microenterprises run by women.

## OBJECTIVES

The objective of this study is to improve the performance of microfinance programs by providing information about women entrepreneurs' needs and problems resulting from the recent Israeli military operations, and the assistance that might be needed by existing and new women-run microenterprises.

Furthermore, the study aims to assess damages incurred and the emergency needs that must be met in order for these businesses to get back to life and flourish. More specifically, the study aims to:

- ◆ Assess the impact of the incursion on the following areas of existing women-owned micro businesses: physical damage to business location (home or shop in the market), financial losses, inventory, and access to wholesalers or purveyors.

- ◆ As a result of the incursion, what do these businesses need to flourish again?
  1. Did the business suffer direct physical damage?
  2. If yes, what are the aspects of such damage? Specify the scope of damage.
  3. How the last invasion affected the business operations? How many days the business operations froze, if any? What were the lost sales? What are other realized losses?
  4. If the business obtained loans or any other credit facilities, how has the situation impacted repayment? What will happen?
  5. What type of assistance is most required for businesses to survive? Financial, logistical, raw material, service centers, inventory, distribution, training, counseling, others.
- ◆ Investigate whether the new economic situation encouraged/discouraged women entrepreneurs to start their own business.
- ◆ Identify what potential services are needed to assist in starting businesses as seen by the potential entrepreneur/s.
- ◆ Suggest what other services are deemed necessary, other than those identified by the entrepreneur, to assist the new-start ups.
  1. Do you think that you can start a business under current situation? Why? How?
  2. What are the critical constraints that prohibit you from starting a business?
  3. If you want to start a business, what kind of support will you need? Financial, information, management, other? Please specify practical and reasonable requirements.
  4. What type of business you think is feasible?
  5. Are you aware of credit and supporting institutions that may help you? Who?
- ◆ Identify and review existing studies conducted concerning the needs of existing or potential women entrepreneurs.
- ◆ Identify any differences between the past and present needs, if applicable.
  1. What studies and surveys addressed women related development issues? Review and summarize the main issues.
  2. Classify the conclusion of each study according to the researched subject.
  3. Identify gaps and limitations of the reviewed studies.
  4. Define, what type of information and research is required to understand this sector and how these studies would contribute to women's development and program assistance?

## METHODOLOGY

In order to realize the above-mentioned objectives, the following instruments were used:

1. Massar's team consulted with the ISAMI project concerning the concept and methodology for achieving the study's objectives.
2. A convenient sampling design was adopted, as the study does not intend to assess statistically significant results but rather aims to provide general insight into the issues of concern. The sample size was distributed, as shown below, among the four areas of Jenin, Toulkarm, Ramallah, and Bethlehem including urban areas, rural areas and camps. These areas represent the areas most affected by the incursions, particularly Nablus, which was difficult to survey because it was under continuous curfew and closure during the implementation of the survey and is still under curfew at the time of writing this report. Therefore, the researchers were unable to access Nablus and include it in the sample. The sample selection was made following consultation with several microfinance institutions including Faten, ASALA, ACAD and UNRWA who provided lists of their borrowers in the designated four locations. The sample included current borrowers and non-borrowers to ensure that all types of women-run businesses were represented.
3. Two questionnaires were designed, one for existing businesses and one for potential start-up businesses to assess the needs of women who are thinking of starting their own businesses.
4. Massar trained a team of field workers to administer the survey through intensive discussion about the subject matter and methodology.
5. The questionnaires were then tested to ensure that the field workers understood how to ask questions and what information was expected.
6. The interviews were conducted with women-owned businesses.
7. The completed questionnaires were edited to ensure that they were complete and correct.
8. A database was designed using SPSS program and data entry was completed.
9. Cross tabulations and frequencies were generated and analyzed as presented in this report.
10. While the survey was being conducted, Massar's team began to review literature on women entrepreneurs, contacting organizations such as UNDP, UNRWA, UNIFAM, Asala, FATEN, PARC, Women Affairs Committee, and ANERA in order to compile all available related studies on women economic activities. Eight studies were found, reviewed and summarized in the third section of this report.
11. Based on the findings of the survey and the literature review, a framework of actions to help women and MFIs was drafted, recommending key strategies aimed at reducing the

difficulties being faced in light of the current situation and enabling women-run businesses to survive.

**Table 1: Distribution of existing and start-up businesses according to location**

District	Location			Total
	City	Village	Camp	
Jenin	20	12	8	40
Ramallah & Al-Bireh	24	12	4	40
Bethlehem	20	12	8	40
Tulkarm	20	12	8	40
<b>Total</b>	<b>84</b>	<b>48</b>	<b>28</b>	<b>160</b>
<b>Potential start up businesses</b>				
District	Location Type			Total
	City	Village	Camp	
Jenin	5	3	2	10
Ramallah & Bireh	5	3	2	10
Bethlehem	5	3	2	10
Tulkarm	5	3	2	10
<b>Total</b>	<b>20</b>	<b>12</b>	<b>8</b>	<b>40</b>

## FINDINGS

The following sections describe the results of the field survey and are divided into four sections. The first section deals with results related to existing businesses, the second section provides a description of the problems and needs of women-run start-up businesses, the third section provides a review of available studies on women entrepreneurs and areas for further research and the fourth and final section provides the conceptual framework for an emergency intervention action plan to help women entrepreneurs as well as MFIs sustain their operations and survive the crisis.

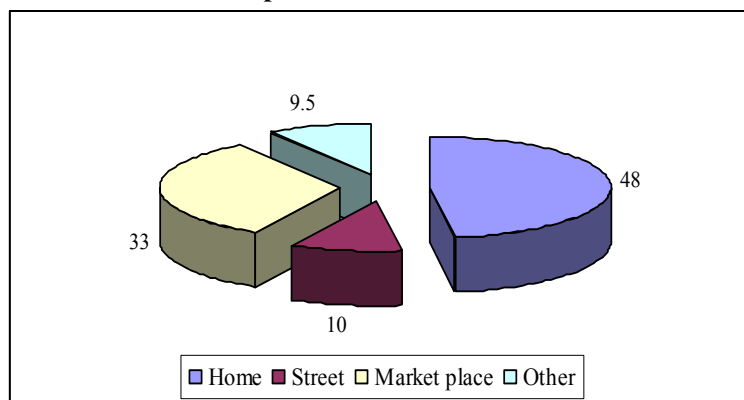
### *Existing Businesses*

The following section presents findings related to existing women-operated businesses. It provides insight regarding the profile of businesses interviewed, their problems, the impact of Israeli incursions in April on their businesses and their priority needs.

#### *1. Business Characteristics*

##### (1) Place of Business

**Graph 1: Place of Business**



- The largest portion (48 %) of women entrepreneurs operates their businesses from home.
- About one-third of existing businesses are in the marketplace.
- Ten percent of women entrepreneurs operate street-based businesses.

## (2) Nature of Business

The following table indicates whether the business operates on a permanent basis or not:

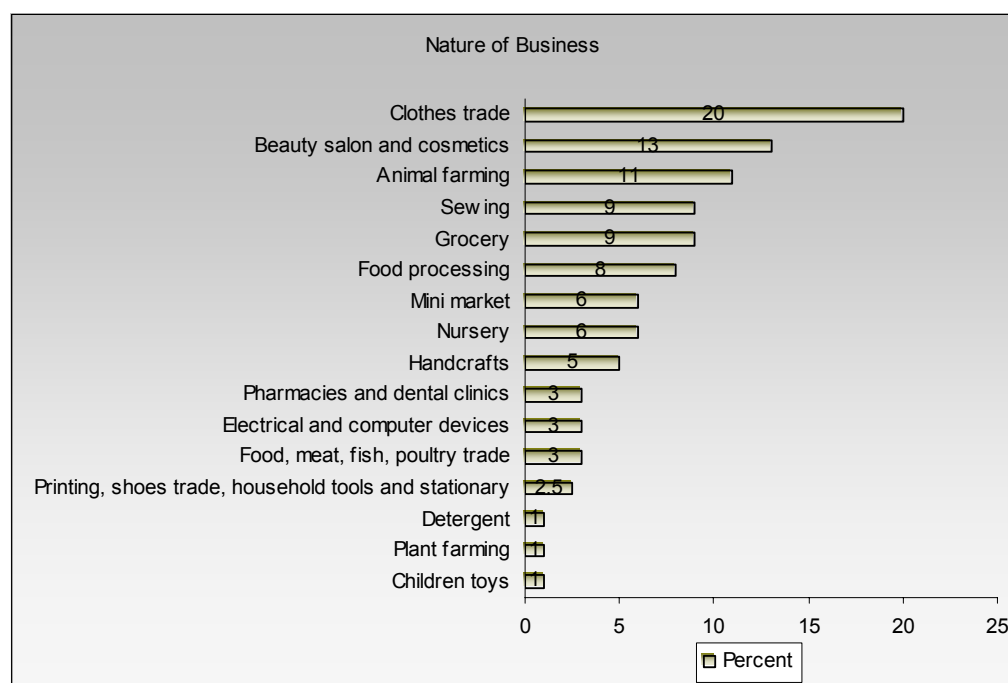
**Table 2: Nature of business**

Description	Frequency	Percent
Permanent	105	66
Seasonal	16	10
Cyclical	37	23
Other	2	1
<b>Total</b>	<b>160</b>	<b>100</b>

The results show that two-thirds of women interviewed operate their businesses on a permanent basis. Slightly less than one-fourth of these businesses are of cyclical nature, operating whenever the time is appropriate for the women to conduct business activities. Ten percent of businesses were found operating on seasonal basis, agricultural projects in particular.

## (3) Line of Business

**Graph 2: Women's Line of Business**



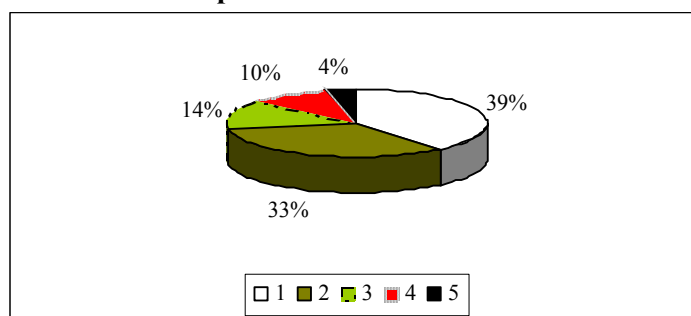
- The results show that woman-owned businesses are generally traditional with the exception of few cases found involving computer hardware trade.
- Slightly less than two-thirds of businesses interviewed are engaged in the trade of clothes, beauty salons and cosmetics, animal farming, groceries and sewing.
- Slightly less than 45 percent of women are in trade related businesses.



- Twelve percent of businesses are found in agriculture, mostly animal husbandry.
- About 22 percent are involved in manufacturing activities and similar percentage are involved in service related activities.

#### (4) Number of Workers

**Graph 3: Number of Workers**



\* The numbers in the legend indicate the number of workers.

- All businesses interviewed are small and micro businesses employing five or fewer than five persons.
- The majority employs either one or two people including the business owners, mostly single employee business.
- The majority of these businesses are run by married women (78 percent), mostly with children (73 percent). About 15 percent of businesses are run by single women, and seven percent are managed by either divorced or widowed women.

#### (5) Total Capital Investment

**Table 3: Total Capital Investment (USD)**

Capital investment	Freq.	Percent	Mean
50 – 1,000	32	20	582
1,001 – 2,000	26	16	1,708
2,001 – 4,000	23	14	3,107
4,001 – 8,000	30	19	5,837
8,001 – 16,000	32	20	12,388
16,001 – 32,000	17	11	22,000
<b>Total</b>	<b>160</b>	<b>100</b>	<b>6,750</b>

- About half of the businesses have less than \$4,000 capital investment.
- Slightly more than two-thirds have an average investment of less than \$5,800.
- Slightly less than 90 percent have invested less than \$16,000.

**(6) Primary Markets and Source of Raw Materials**

It was found that the overwhelming percentage of businesses' primary market is in the location of the business, city, village and camp. Trade between villages is very minimal (4 percent). About 40 percent of sales are in the city and the village.

The primary source of the raw material/goods is the city (78 percent), followed by city and village (9 percent), village (5 percent), Israel (5 percent), other villages (2 percent) and one business imports materials from other Arab countries.

## 2. *The Impact of Israeli incursions from April to July 2002*

As the overwhelming majority of businesses suffered significant losses during the April 2002 Israeli incursions, woman-owned businesses were not an exception. The following results demonstrate the size and scope of these losses:

### (1) Working Days

In the period between April 1<sup>st</sup> and July 31<sup>st</sup>, 2002 (normally around 105 working days) the vast majority of woman-owned businesses experienced long periods of closure.

- **38 percent** of businesses interviewed worked an average of 19 working days, only 18 percent of the normal working days in the designated period.
- **33 percent** worked for an average of 50 working days, about 47 percent of normal working days.
- **8 percent** worked an average of 78 working days, about 74 percent of normal working days.
- **21 percent** had worked almost all working days in the designated period.

The 29 percent of women businesses that suffered less than the others were concentrated in villages where they were less exposed to the Israeli incursions. Businesses located in cities and camps were hard hit and the losses were significant.

### (2) Physical Damage

Besides the lost working days and their implications, direct physical damage was inflicted to a number of woman-owned businesses (about 19 percent of businesses interviewed). The damage ranged from damage to buildings, outside doors, store signs, electricity lines, glass breakage, breaking of doors and windows, damaged walls, holes from bullets, partial and complete damage of the project or the building, and burning of stores (Ramallah, Al Natsheh Building).

The following table provides numerical values of the damage as reported by respondents:

**Table 4: Value of Physical Damage to Buildings/Facilities (USD)**

Value of physical damage of building/facility	No.	Percent	Mean
30 – 500	12	40	275
501 – 1,500	7	23	964
1,501 – 3,000	8	27	2,375
3,001 – 4,500	1	3	4,200
4,501 – 6,000	1	3	6,000
9,001 – 10,000	1	3	10,000
<b>Total</b>	<b>30</b>	<b>100</b>	<b>1,642</b>

*Although the percentage value of the damage may vary from businesses to business, the average value of direct physical damage to buildings and facilities is about 24 percent of the average value of capital investment.*

In addition to the physical damage to buildings and facilities, physical damage of machinery and tools was also reported by 23 respondents. This included damage to cars, damage to computers and machines, damage of machinery and equipment (sewing, refrigerators, shelves, water storage containers), burning of equipment and damage of furniture. The following table indicates the value of these damages:

**Table 5: Value of Physical Damage to Machinery and Tools (USD)**

Value of physical damage of machinery and tools	No.	Percent	Mean
30 – 500	11	48	298
501 – 1,500	1	4	1,100
1,501 – 3,000	5	22	2,120
3,001 – 4,500	3	13	4,000
4,501 – 6,000	3	13	5,667
<b>Total</b>	<b>23</b>	<b>100</b>	<b>1,912</b>

*About 14 percent of businesses interviewed suffered material damage to their tools, machinery and equipment amounting to an average of \$1,920 per business, and equaling approximately 28 percent of total capital investment.*

An example of a case of women business experienced damage and theft according to Asala is shown below.

*Mrs. Inshirah Qasem is an Obstetrician from Jenin. In 1991, she started her business taking care of pregnant women in a small office at the Chamber of Commerce building. In February 2001, she approached Asala asking for a loan to purchase an Ultrasound machine to improve her business. The loan application was approved and she obtained \$10,000 and bought the Ultrasound on February 26, 2001.*

*In April 2002 and during the Israeli invasion to Jenin, the Chamber of Commerce building was shelled by the Israeli tanks and as a result all assets of the clinic were damaged and the Ultrasound was stolen by the soldiers according to Inshirah. The value of total loss was estimated at \$22,000. She had to close the clinic for some time for renovation and later opened to receive patients. Her revenues dropped drastically because she does not have Ultrasound.*

*According to Asala's reports, Inshirah repaid only \$2,000 and has \$9,845 outstanding balance as of September 2002. No one compensated her for the loss and currently she is unable to repay her past due payments.*

Furthermore, businesses experienced direct and indirect loss of inventory, raw material and products as a result of direct Israeli fire or because of electricity cuts. These losses included ruined perishable products, ruined raw material, burnt products, ruined feed for poultry and the expiration of products. About 20 percent of respondents experienced inventory damage as shown in the following table:

**Table 6: Value of Physical Damage to Inventory (USD)**

Value of physical damage of inventory	No.	Percent	Mean
30 – 500	13	39	224
501 – 1,500	10	30	960
1,501 – 3,000	5	15	2,300
3,001 – 4,500	1	3	4,000
4,501 – 6,000	3	9	5,333
6,001 – 8,500	1	3	8,000
<b>Total</b>	<b>33</b>	<b>100</b>	<b>1,576</b>

*The average value of lost inventory/products is about \$1,572, approximately 23 percent of capital investment.*

*The above results show that the direct physical damage for about 14, 19, and 20 percent of businesses interviewed resulted in loss of at least one fourth of the capital and in certain cases could reach up to 75 percent for businesses which were particularly hard hit.*

### (3) Drop in Sales and Income

In addition to the material damage caused by the Israeli incursions, women businesses also suffered a substantial decrease in sales as presented in the following table:

**Table 7: Average Monthly Sales Prior to and after April Incursions (NIS)**

Average monthly sales pre April NIS	Frequency	Percent	Mean		Percentage change
			Average monthly sales prior to April	Average monthly	
200 – 3,000	67	51	1,577	604	-62
3,001 – 6,000	21	16	4,786	1,738	-64
6,001 – 9,000	12	9	7,875	2,333	-70
9,001 – 12,000	11	8	10,727	3,500	-67
12,001 – 15,000	5	4	15,000	3,800	-75
16,001 – 19,000	2	2	18,000	7,750	-57
19,001 – 21,000	4	3	20,250	7,275	-64
21,001 – 24,000	1	1	22,000	8,000	-64
24,001 – 45,000	9	7	31,667	7,111	-78
<b>Total</b>	<b>132</b>	<b>100</b>	<b>6,952</b>	<b>2,114</b>	<b>-70</b>

Overall, 82 percent of businesses experienced a 70 percent drop in sales during and after the incursion. Small and micro businesses suffered equally in terms of lost sales. The 18 percent of businesses not reporting a drop in sales were mostly located in villages that were not as directly affected by the incursions.

As a result of the drop in sales, income also dropped by about 74 percent as demonstrated by the following table:

**Table 8: Average Monthly Income Prior to and after April (NIS)**

Average monthly income prior to April NIS	Frequency	Percent	Mean		Percentage change
			Average monthly income prior to April	Average monthly income after April	
100 - 500	22	17	337	150	-55
501 - 1,500	44	33	1,076	418	-61
1,501 - 3,000	29	22	2,345	841	-64
3,001 - 4,000	9	7	3,778	1,172	-69
4,001 - 5,500	7	5	4,929	1,000	-80
5,501 - 6,000	4	3	6,000	2,595	-57
6,001 - 12,000	17	13	7,829	977	-88
<b>Total</b>	<b>132</b>	<b>100</b>	<b>2,639</b>	<b>686</b>	<b>-74</b>

(4) Increased Receivables and Payables

The vast majority of woman-owned businesses suffered cash flow problems resulting from increased receivables. The following tables show the amount of receivables before and after the incursions in April:

**Table 9: Average Accounts Receivable prior to and after April (NIS)\***

Average account receivables prior to April	No.	Percent	Mean		Percent change
			Average A/R prior to April	Average A/R after April	
0	60	46	-	1,748	-
150 – 1,500	24	18	717	1,184	65
1,501 – 3,000	15	11	2,393	3,533	48
3,001 – 4,500	6	5	3,917	4,100	5
4,501 – 6,000	6	5	5,500	5,167	-6
6,001 – 8,500	4	3	7,375	7,188	-3
8,501 – 9,000	1	1	9,000	6,500	-28
9,001 – 10,500	4	3	10,000	9,500	-5
10,501 – 70,000	12	9	25,292	23,333	-8
<b>Total</b>	<b>132</b>	<b>100</b>	<b>3,724</b>	<b>4,509</b>	<b>21</b>

\*One US dollar equals 4.8 New Israeli Shekel (NIS)

On average, receivables increased by 21 percent for 82 percent of businesses interviewed. About 46 of these businesses did not have any receivables before the incursion. Apparently about 27 percent of these businesses that had more receivables before April managed to tighten their credit policies, thus, reducing the amount of receivables. However, the decrease in receivables for these businesses might be attributed to decrease in overall sales.

As a result of the increased receivables, the ability of businesses to pay their debt and to finance their purchases was significantly weakened. Overall, debt increased by an average of 32 percent as reported in the following table:

**Table 10: Average Accounts Payable Prior to and after April (NIS)**

Average A/P prior to April	N	Percent	Mean		
			Average A/P prior to April	Average A/P after April	Percent change
0	68	52	-	4,512	-
80 – 3,000	22	17	1,384	2,167	57
3,001 – 6,000	13	10	4,869	4,808	-1
6,001 – 9,000	1	1	8,000	18,000	125
9,001 – 12,000	6	5	11,000	14,333	30
12,001 – 15,000	3	2	15,000	21,000	40
15,001 – 18,000	3	2	17,000	26,667	57
18,001 – 21,000	1	1	20,000	20,000	0
21,001 – 60,000	15	11	40,833	33,267	-19
<b>Total</b>	<b>132</b>	<b>100</b>	<b>6,790</b>	<b>8,996</b>	<b>32</b>

### (5) Overdue Loans and Default

Fifty percent of businesses interviewed had obtained loans from microfinance institutions and have been unable to repay outstanding installments. The following table shows the total loan amounts obtained in various categories:

**Table 11: Total Amount of Loan (USD)**

Loan amount	Freq.	Percent	Mean
200 – 1,500	33	41	786
1,501 – 3,000	13	16	2,642
3,001 – 4,500	2	3	4,100
4,501 – 6,000	8	10	5,250
6,001 – 7,500	3	4	7,000
7,501 – 9,000	4	5	8,125
9,001 – 10,500	7	9	10,000
10,501 – 25,000	10	13	14,600
<b>Total</b>	<b>80</b>	<b>100</b>	<b>4,750</b>

The loan amounts ranged from micro to small loans with the majority falling into the category of micro loans. These businesses, however, experienced difficulties in repaying the installments due as shown in the following table:

**Table 12: Total Amount of Default (USD)**

Amount of default installments	Freq.	Percent	Mean
0	25	31	-
25 – 500	25	31	218
501 – 1000	12	15	776
1001 – 1500	5	6	1,190
1501 – 2000	4	5	1,634
2501 – 3000	2	3	2,859
3001 – 3500	1	1	3,036
3501 – 11000	6	8	6,698
<b>Total</b>	<b>80</b>	<b>100</b>	<b>952</b>

About 69 percent of these borrowers have payments in arrear with an average of \$952 per borrower representing about 20 percent of the average loan. The number of default installments as well as the amounts are depicted in the following table:

**Table 13: Number and Amount of Defaulted Installments**

Number of default installments	Freq.	Percent	Mean	Total amount
0	25	31	-	-
1 – 4	35	44	2	16,591
5 – 8	6	8	6	7,062
9 – 12	6	8	10	10,509
13 – 16	3	4	15	12,246
17 – 20	2	3	18	4,724
21 – 23	3	4	22	25,065
<b>Total</b>	<b>80</b>	<b>100</b>	<b>4</b>	<b>76,197</b>

The results shown in the above table reflects the seriousness of the default problem. Of the defaulted borrowers (69 percent), about 36 percent have failed to pay at least 6 installments. Many of them seem to have had installments due for long time, in some cases since the beginning of the Al-Aqsa Intifada in September 2000. Obviously, the reasons for such default are compelling and reflect the deterioration of the political and economic situation in the West Bank and Gaza. The following reasons for default were reported by respondent borrowers:

**Table 14: Reasons for not Repaying Loan**

Reason	Frequency
Political situation, closures, curfew	26
Decrease in revenues and income	23
Lack of liquidity-collection	6
Damage of project due to military action	3
Unable to market the product	3
Accumulated due payments	1
Unable to purchase raw material	1

In conclusion, women businesses have suffered substantial losses during past few months. Their sales have dropped considerably, income had decreased, liquidity is weakened, and their ability to meet short-term debt requirements has collapsed. As a result, given the nature of these businesses, the capital is being eroded and the risk of default is likely to increase in the near future. Microfinance institutions will find themselves in a position where they will

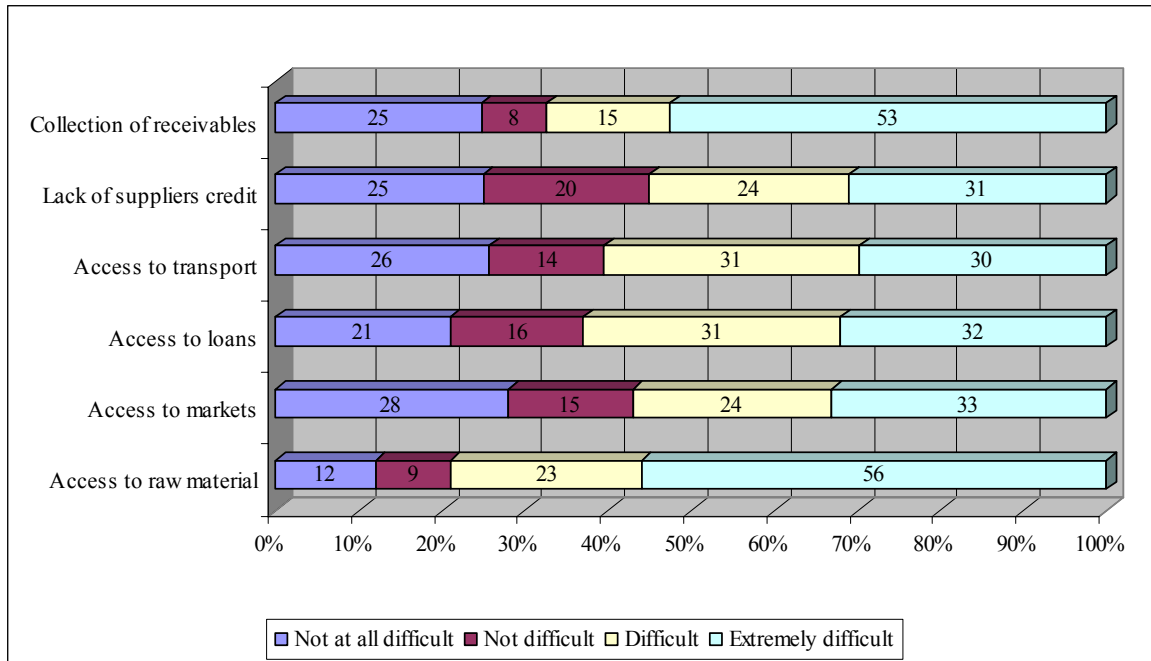


be forced to write off significant portions of default payments, and their ability to lend will subsequently decrease.

#### (6) Difficulties and Constraints

The following graph shows the degree of difficulties woman-operated businesses experienced between April and July of 2002:

**Graph 4: Assessment of difficulties facing women businesses**



The results show that all examined factors have become difficult for the majority of women business-owners and constitute major constraints, not only to business growth but also to business sustainability.

### 3. *Demand for Credit between April and July 2002*

In spite of the difficult situation experienced during the period of concern, about 20 percent of interviewed businesses have submitted applications for loans, of which 75 percent are current borrowers. Given the high percent of defaults, it can be concluded that the reason for applying for new loans is to finance current debt.

**Table 15: Asked for a loan between April and July 2002**

Answer	Frequency	Percent
Yes	32	20
No	128	80
<b>Total</b>	<b>160</b>	<b>100</b>

Of those submitting applications for loans, 61 percent were approved and 10 percent are still under review indicating the high responsiveness of MFIs to women's financial needs. The applicants for loans approached several MFIs, the most notably FATEN (34 percent), Asala (25 percent) and UNRWA (19 percent) with the remaining 22 percent distributed among Marketing and Credit Society, Palestine Investment and Development Bank, Bank of Jordan, Commercial Banks and the Ministry of Social Affairs.

Those who did not apply for a loan (80 percent) in the studied period were asked to indicate the reasons behind their positions. The following table shows the various reasons given by respondents:

**Table 16: Reasons for not Approaching any Lending Organization to Access Credit**

Reason	Frequency	Percent
Repayment risk	27	21
Bad economic and political situation	20	16
Having an outstanding loan	17	13
No need for loan	17	13
Religious reason	8	6
Unavailable credit institution	8	6
High interest rate	6	5
No enough income	5	4
Don not know a bout credit institutions	3	2
No answer	17	13
<b>Total</b>	<b>128</b>	<b>100</b>

The reasons shown above indicate that the majority of women operating businesses did not approach MFIs mostly because of the current political situation, its economic impact and associated risks. The results also show that there are some respondents who do not need credit and others who believe that there are no credit organizations. These results suggest that demand for credit may significantly increase once the political situation has stabilized.

#### 4. *Priority Needs of Women Entrepreneurs from their Perspectives*

Women interviewed were asked about their priorities regarding training and technical support. The following table demonstrates the areas of priority from the perspective of respondents:

**Table 17: Women's Businesses Needs - Training and Technical Support**

Areas of Training and Technical Support	
Child care	Psychological counseling
Marketing and promotion	Clothing design
Management	Manufacturing of frames
Accounting	Agriculture
Veterinary	Maintenance of electrical device, machine, and tools
Customer relations	Food processing
Handwork arts	Planting
Beauty and facial treatment	Painting
Printing	Hair dressing
Quality control	

The overwhelming majority of women related any recommendations to improve their businesses to the political situation and access to markets and raw material. A significant proportion suggested loan refinancing and extension of loan repayment periods to help them alleviate the liquidity problem.

The major pressing needs of women businesses from MFIs perspective is the lack of cash as well as assistance to access markets. On one hand MFIs realize that businesses should repay their due payments but on the other hand they recognize that businesses lack cash to even sustain their operations. This situation creates a dilemma for MFIs between sustaining the MFIs operation and sustaining the women business operations.

### *Start-Up Businesses*

The following section provides results related to women entrepreneurs who have not yet started their businesses but have ideas and need support to translate them into real business. The objective of surveying this particular target group, as mentioned earlier, is to:

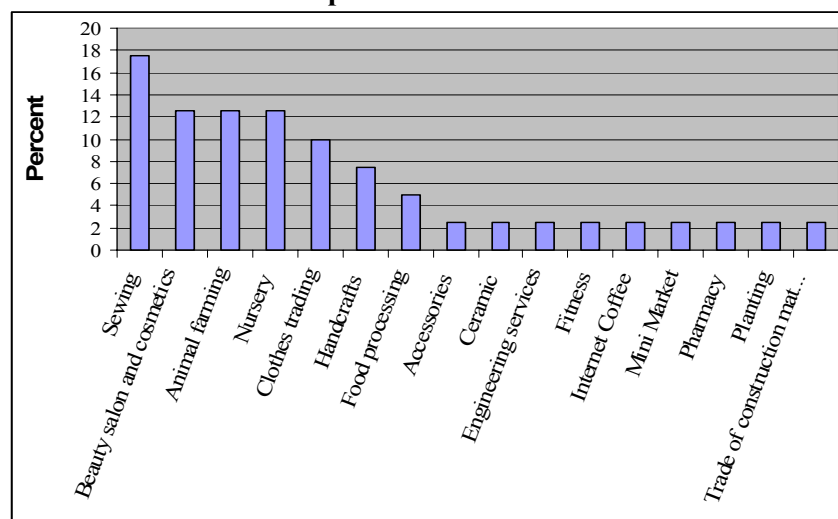
- ◆ Investigate whether the new economic situation has either encouraged or discouraged women entrepreneurs in starting their own business.
- ◆ Identify what potential services are needed to assist in starting businesses as seen by the potential entrepreneurs.
- ◆ Determine what other services may be necessary to assist the new-start ups, beyond those identified by the potential entrepreneurs.

To achieve the above-mentioned objectives, a convenient sample of 40 women was selected based on the snowball technique due to difficulties in locating women falling into this category. Women interviewed were married (65 percent), single (32.5 percent) and widowed (2.5 percent). All were literate with the majority having finished secondary school (37.5 percent) or university (25 percent) and the rest elementary and primary schools. These results indicate that women thinking of starting up businesses are mostly among the educated.

#### **1. Business Ideas**

Women interviewed were asked to state what their intended business is. The following table provides a list of business ideas as stated by the respondents:

**Graph 5: Business Ideas**



The results shown in the above chart suggest that most business ideas are traditional. Despite the high risks associated with certain enterprises such as sewing, the largest proportion of women interviewed (17 percent) are still interested in sewing projects followed by beauty salons, animal farming and nurseries for children (each 12.5 percent).

## 2. *Obstacles to Starting a Business*

When women were asked about the current political and economic environment and its effect on their enthusiasm to start a business, the overwhelming majority (82.5 percent) responded that the situation has discouraged them in converting their ideas into functioning businesses. Furthermore, when they were asked to list perceived constraints to start their own businesses, although a number of constraints were reported, many cited lack of capital, the current political situation and lack of proper place for the business. The following table shows these constraints as perceived by respondents:

**Table 18: Constraints to Starting a Business**

Reasons	Frequency
Lack of capital	34
Current political situation, bad economy, marketing risks and lack of market access	33
Lack of place	19
Access to raw material	8
Lack of experience and information	2
Having another job	2
Decline of income	2
Lack of encouragement	1
Access to exporting and importing	1
Decline of tourism market	1
Lack of water	1
<b>Total</b>	<b>104</b>

Surprisingly, the lack of capital was cited as often as obstacles resulting from the political situation. These results may suggest that if the capital is available, a portion of women are willing to take risks and would engage in economic activities despite the political instability. Since Palestinian women in general do not have personal savings, the most likely approach would be to approach financial institutions for business-related loans. It may be useful for MFIs to devote greater efforts to reach these enthusiastic women entrepreneurs.

### 3. *Assistance Required to Start a Business*

Consistent with previous results concerning obstacles to starting a business, the majority of respondents (57.5 percent) require access to credit with the remaining respondents suggesting various other areas of assistance as shown below:

**Table 19: What Assistance is Needed to Translate your Ideas into a Business?**

Services and Assistance	Frequency
Capital	23
Counseling, training, support	12
Finding an appropriate place	9
Promotion, distribution, customer relations	7
Access to raw material and products	6
Access to new machines and tools	4
Counseling in production process	1
Furnishing the site	1

### 4. *Financing of New Businesses and Awareness of Credit*

Regardless of the current political situation, women were asked to state how they plan to finance their projects when they decide to start their business. The majority (75 percent) plan to seek a loan to finance the business, few would look for a grant/charity (7.5 percent) and some others do not know (10 percent). Certainly, these women would mainly rely on the availability of credit from MFIs to finance the project idea.

The largest proportion of loan sizes can be classified as micro-loans averaging \$1,895. Other requested loans are classified in the following table:

**Table 20: Loan Amount in US dollar**

Loan amount	N	Percent	Mean
1,000 - 3,000	12	40	1,895
3,001 - 6,000	9	30	4,500
6,001 - 9,000	9	30	7,333
<b>Total</b>	<b>30</b>	<b>100</b>	<b>5,595</b>

Fifty percent of the interviewed entrepreneurs were aware of the available credit programs and the remaining half were not. The MFIs mentioned most often were FATEN (14 times), UNRWA (9 times), Asala (4 times) and others such as the YMCA, PARC, Care (twice each). This indicates the need for more focused promotion efforts to increase awareness of MFI programs.

### ***Studies Concerning Women in Business***

In order to evaluate the extent of problems facing women entrepreneurs, a survey of recent studies was conducted to determine whether further research into this topic is required and to help microfinance institutions refocus and concentrate on activities to help women entrepreneurs.

Eight studies related to women entrepreneurs were found and evaluated. These studies were conducted by different institutions including the Palestinian Agricultural Relief Committee, the Bisan Centre for Research and Development, Oxfam-Quebec, ESCWA and Birzeit University, Save the Children and the Palestinian Authority Ministry of Planning and International Cooperation. Other organizations concerned with women in business such as UNDP, UNRWA and Faten were contacted, but reported that they have not conducted studies related to this field. Two of the studies evaluated were conducted in 2000 and 2001, but the remainder was researched in the period between 1993 and 1997.

#### ***1. General Conditions of Women in the Palestinian Economy***

Statistics show that women's participation in social development is still very low with women accounting for only 12 percent of the overall labor force in the West Bank and Gaza Strip, partially due to limited employment opportunities. While opportunities for work increased in the years immediately following the creation of the Palestinian Authority, women's participation decreased, partly because many of these new jobs were based in Israel and partly due to the tendency among Palestinian Authority institutions to employ men rather than women. Many of these opportunities involved construction, trade, restaurants and hotels – sectors from which women are typically excluded.

As a result, women's income is very low compared to that of men and women tend to be poorer. According to a 1998 report on poverty, 9 percent of families are supported by women and 73 percent of those families headed by women live under the poverty line compared to 63 percent of households run by men.<sup>1</sup> These percentages have increased dramatically in recent months as a result of Israel's continuous siege of the Occupied Territories and the systematic destruction of the Palestinian economy since September 2000.

#### ***2. Summary of Studies Concerning Women Entrepreneurs***

##### ***“Woman's Work in Agricultural Projects Within the Informal Sector” Palestinian Agricultural Relief Committees (1993)***

The study focuses on women's work in the informal, agricultural sector. The topics it addresses include the social status of women and the nature of the agricultural work they

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<sup>1</sup> The poverty line is \$347.3 in the West Bank and \$285 in the Gaza Strip.  
MASSAR

undertake. Thirty women were either interviewed or completed questionnaires in relation to this study.

The objectives of the study were:

- To identify the relationship between women's agricultural work and social dimensions in these woman's lives.
- Clarifying the role of women in decision-making and in managing agricultural projects.
- Understanding the different needs of female agricultural workers.

The study highlighted several points:

- Women's agricultural projects tend to be small-scale with respect to capital, means of production and labor employed.
- Approximately 63 percent of working women are involved in agriculture
- Ninety percent of these women played a role in establishing the business, either independently or in partnership with family members.

In light of the significant role played by women working in agriculture, the study recommends that technical and administrative support be provided for these projects. It suggests that women be granted suitable loans in order to expand and develop their projects, and that these loans reflect the size and scope of the projects with priority to be given to small-scale enterprises.

Although the study is very limited, it provides useful information on women working in agriculture, which is generally a field neglected in research. *Studies of this nature must be expanded in order to present a clear picture of the actual needs of women working in the agricultural field and to better formulate social policies related to this segment of the population.*

### **Credit Needs in Household Economy**

*Bisan Centre for Research and Development (1993)*

This study is a detailed description of seven projects in which women participate, either independently or with family members. The major objective of this study was to evaluate the needs of women working in household-based enterprises in order to formulate economically feasible policies.

The study examines a number of case studies representing a range of woman-owned businesses operating in urban, rural and camp settings in the Ramallah area. The projects selected for the study were all established on individual initiatives without financial support from credit organizations. Some of the women surveyed did approach credit organizations but were denied loans.

The study identified the following problems faced by women entrepreneurs:



- Difficulties in competitively marketing products; no marketing center where women can be introduced to merchants and commission agents.
- Inability to travel due to social norms.
- Unwillingness to expand production because of the increased tax burden.
- Lack of managerial skills and outdated technology.
- No professional training.
- Lack of awareness regarding the availability of credit and loans.

Given these problems, it is apparent that there is a need for technical, marketing and managerial training, as well for improved access to credit.

Such in-depth studies are very important in assessing the needs of women entrepreneurs for the purpose of formulating policies and need to be expanded to include all of the West Bank and the Gaza Strip.

### **Micro & Small Scale Entrepreneurial Activities of Palestinian Women** *OXFAM/QUEBEC (1996)*

This study provides a description of credit institutions and a background on woman's activities in Palestine. The objective of the study is to explore the nature of Palestinian women's economic activities, and to begin the process of articulating them. It presents a framework aimed to encourage women to engage more actively in economic activities, and to enhance recognition of these activities and women's role in undertaking them.

The study led to the creation of the Centre for the Development of Women's Economic Projects (currently Asala). The goal of the project is to increase women's participation in economic activities in which women have been traditionally excluded. This to be achieved through the creation of a network to support women's economic initiatives and the adoption of a 'credit plus' approach that provides training and technical assistance as part of the credit package.

In the area of development, the project strives to increase women's access to credit, encourage women to apply for credit and increase women's access to training in management, technical and gender issues. The project also aims to facilitate contacts with legal service centers with the aim of improving women's knowledge of legal issues and to facilitate access to information about Palestinian women's businesses, marketing and production issues.

The study outlined financial guidelines to serve as a framework for the implementation of the Centre's objectives. The guidelines included loan size, repayment period, loan grace period and interest rate. The terms related to these guidelines are quite reasonable, in regard to loans women can get up to \$20,000, repayment periods might be extended to 36 months depended on the nature of the project and the interest rate ranges from 7% to 15%.

*In general, the study is informative but probably outdated. It could serve as an excellent baseline for further studies in the same field.*

**Evaluation Report For Women's Loan Program***Palestinian Agricultural Relief Committees (1996)*

This evaluation conducted by the Women's Unit at the Agricultural Relief Committees examines women who received loans to establish household economic projects in rural areas. The evaluation is intended to present the status of the credit program and to evaluate the positive and negative aspects of the program in order to facilitate future program development.

The Women's Unit appointed a coordinator and field workers to follow-up on each of the projects. The methodology used for evaluating the project was rapid participatory research and relied heavily on the interviews conducted with thirteen female beneficiaries from different geographical areas in the West Bank. Visits were made to each of these beneficiaries. The topics addressed in the study are background of the project, funding of the project, the objectives of the program, project beneficiaries, establishing the project and repayment, the management of the project, financial follow up and the achievements of the project's objectives.

The following information was presented in the study:

- Some of the women entrepreneurs were found to actually be working in partnership with other family members rather than independently as thought.
- Other projects fell into the category of "household economy" rather than independent revenue-generating businesses.
- Most of the projects had become self-sufficient and generated profits.
- In some cases loan payments were not being met on schedule.

It was emphasized that the project has shown to be effective and should be expanded in the future to include women in the Gaza Strip.

*This study was limited and could be considered a pilot study. Moreover, the information is somewhat outdated and the geographical area investigated was limited to the Northern West Bank, which has been strongly impacted by Israeli military operations in the last two years.*

**The State of Women's Institutions Working in Establishing and Managing Small Income Generating Projects***ESCWA and Birzeit University (1997)*

The study provides a detailed description of women's organizations ranging from charitable societies to women's NGOs and the income generation projects that have been established for women since the 1987 intifada. The study provided a background on women's level of involvement in the formal and informal aspects of the Palestinian economy. The study was carried out between September 1996 and February 1997.

The objectives of the study were:

- To evaluate income generation projects run by NGOs.
- To assess the problems and impediments faced by these projects.
- To appraise the administrative efficiency and technical experience of those running the project.
- To evaluate the status of project funding.

In collecting data, researchers conducted a literature survey, developed a questionnaire, categorized women's organizations and chose the income generation projects to be studied.

The study highlighted the general characteristics of "women's productive projects" and reached the following conclusions:

- Eighty percent of the women-operated projects have closed due to lack of managerial skills and financial experience.
- Lack of quality control and inability to compete with competitive market pricing.
- No feasibility studies were conducted prior to business establishment.
- Most products fell into four categories: sewing, food processing, leather and traditional crafts.

Recommendations were made for NGOs dealing with women-operated micro-projects:

- Continuous follow-up by women's NGOs in identifying suitable projects for women that meet the needs of the market, the needs of women and the community's development needs.
- Providing the training needed for women workers.
- Making agreements with funders and credit organizations to support the project financially and technically. Also to re-invest profits in the project in order to attain self-sufficiency.

Recommendations pertaining to Credit Organizations:

- Organize financial resources to cover the needs of NGOs and the Palestinian Authority and encourage commercial banks to increase credit.
- Arrange flexible credit that targets economically productive projects managed by women and encourages self-sufficiency.

Recommendations pertaining to International Organizations:

- Increase the funding for productive projects and the establishment of income generating projects for women living below the poverty line.
- Provide support through capital and/or resources to financial institutions establishing small, informal projects for women.

*While somewhat useful, the data presented by this study is now outdated as a result of the changes that have taken place within the different types of women organizations and the projects they are managing. Practically all of the income-generation projects established by women's organizations have collapsed. It would be useful to undertake a new study on*

*women's organizations at present to see which, if any, of these projects still exist, whether the organizations are interested in continuing to run such projects and to examine the potential for women's organizations to work with women entrepreneurs in obtaining credit and loans. It would also be useful to establish training courses for women entrepreneurs in fields related to business management and gender-related issues.*

**Group Guaranteed Lending and Savings Program in the West Bank and Gaza**

*Save the Children (1997)*

The study is an evaluation of Save the Children's Group Guaranteed Lending and Savings Program, which extends credit to women for the purpose of establishing income-generating projects. The major aim of the program is to improve the economic and social situation of the poor, with a focus on women. The basic goal of the program is to provide small loans to disadvantaged women in order to increase their income and ensure the well being of their children. The principles of the program are to lend small, short-term loans. The study was also meant to provide baseline information on the social and economic profiles of women borrowers, their families and their children. The study was conducted during May and June 1997.

The main objectives of the study were:

- To generate baseline data on a number of social and economic aspects related to the programs borrower, their families and children,
- To gain a better understanding of the implementation of the program and provide suggestions for its development,
- To recommend complementary interventions relating to childcare, training of women, etc.
- To develop possible indicators for monitoring and evaluating the program in future.

The methodology used was a questionnaire survey of a sample of 412 (208 in the West Bank and 204 in the Gaza Strip) out of 1745 active borrowers. This was complemented by information gathered by carrying out 20 focus group discussions with borrowers, husbands of borrowers and children. In addition, a questionnaire survey of 59 dropouts was conducted and three regional workshops were organized with promoters and GGLS staff.

The study produced the following information:

- Loans ranged from \$215 - \$286 with an annual interest rate of 22 percent.
- Difficulties were identified including lack of management skills and market experience, difficulty arranging for child-care, social pressure, and time-consuming domestic work.
- Borrowers did not keep records on income and expenditures.
- Some women invested the loan in their husbands' projects, rather than running their own businesses.
- Some women did not establish a project at all and used the money for family needs.

Some of the significant interventions put forward in relation to women borrowers are:

- Developing programs to increase the potential success of their business. Women could benefit from receiving skill-oriented training in areas such as leadership, planning negotiation, management of small business, accounting, marketing of products and time management.
- Training women on the mechanisms for establishing a community-based self-help group from the GGLS groups. This could provide practical and moral assistance to them and improve their coping mechanisms.

*The major purpose of the study was to evaluate the GGLS project so Save the Children could promote its program to meet the needs of women borrowers and was not meant to evaluate and analyze the needs of women entrepreneurs in general. Unfortunately no follow-up study was conducted to see if project developments were of benefit to women and if the project met their needs. It is important to assess whether the interventions put forward in relation to women borrowers have been implemented or not. Since the study was conducted, the program has been transferred to Palestinian management and operates as "Faten." No further studies have been done by Faten to assess the changes that have occurred and the problems faced by women borrowers (if they have problems of any kind). In this respect a study must be carried out to assess these changes and their impact on women borrowers.*

### **Loan Policies and Equal Opportunities for Women and Men in Accessing Loans**

*PNA Ministry of Planning and International Cooperation (2000)*

The study is more of a descriptive study focusing on the historical background of credit organizations and addressing recent issues. The topics addressed were credit and service policies available in the Palestinian society and the structure of credit.

The major three objectives of the study were:

- To identify and be acquainted with programs of credit and non-governmental organizations in Palestine.
- Identifying policies carried by these organizations from a gender perspective and the degree of equal opportunities between women and men.
- To be familiar with the facilitation offered to women to increase women's access to loans.

The methodology for data collection combined a survey of literature available on the topic, acquiring information on banks and credit organizations and the development of a questionnaire. The questionnaire included questions related to the nature of the organization, date of starting the credit and the geographical distribution of the institutions' branches. The second topic was the circulated capital of credit, the maximum and the minimum of credit offered and other supportive services to credit. And finally, guarantees and documents needed for the credit, the type of projects that were offered for the credit and the facilitation offered to women.

The study assesses different credit organizations in Palestinian society identifying three major groups: commercial banks; specialized development, non-governmental credit and funding organizations; and non-governmental organizations that target only women. Commercial banks are certainly the largest group contributing to economic development, facilitating investments in small, medium and large projects which increase production and provide work opportunities. While specialized non-governmental organizations play a role in both economic development and social development, they tend to support small and medium projects (one organization exists of this type) in all areas excluding real estate. Non-governmental organizations offering loans to women tend to be more sensitized to women's needs and offer other resources to increase women's earning potential. These organizations make an effort to reduce impediments that women face in accessing loans. On the down side, these organizations have limited amounts of capital in circulations and only small-sized loans are available with relatively high interest rates. Nevertheless, this system tends to be more flexible as it's goal is poverty alleviation rather than development in a larger context. These organizations support small projects that are related to the traditional role of women.

The study points out to two types of loans; the first offers loans only to women and the second for women and men. Six commercial banks offered 4955 loans in 1996, with only 4% being granted to women. Six non-governmental organizations not targeting women exclusively offered 798 loans for the same year out of which 10.8% went to women. Five organizations specializing in credit for women offered loans to 1282 women.

The size of loans offered to women is minimal and does little to help them in tackling poverty or establishing small enterprises to generate income for their families. For example, of 1000 loans granted to women by several organizations in 1996, none exceeded \$1500, with some as low as \$211. One organization offered 84 women loans reaching up to \$10,000.

The time limit for paying back loans differs between the three groups of credit organizations and is generally between two and twelve months. Commercial banks usually establish periods for repayment based on the nature of the project and a few of the loans must be paid monthly. Non-governmental organizations that do not target women require loans to be repaid monthly. Virtually all organizations that target women state in advance the method for repaying the loan with the exception of one, which gives flexibility to the creditor. Concerning interest rates, the most significant point is that the smaller the loan, the higher the interest rate tends to be.

The study concludes with a recommendation to develop policies to ensure equal opportunity regardless of gender and to make sure that women are receive the financial assistance needed to participate in the economy and to help in realizing sustainable development in Palestinian society. Other recommendations suggest developing a program to increase women's knowledge of services and conditions offered by credit organizations, reevaluating the guarantees, providing help in finishing procedures of the credit, providing technical assistance for the increase of the economic project's success and paying back the loans.

*This study needs to be updated because changes have occurred since the time of the study and it is important to know whether credit is still being offered in light of the intensive military operations. It would also be useful to know whether these projects still being run, or*

*if they have collapsed due to the political situation. A new study incorporating interviews with women would help to precisely determine their needs.*

**Women in Business in Palestine In-Depth Study**

*Palestinian Businesswomen's Association (Asala) (2001)*

The study's approach is descriptive and evaluative. It demonstrates all economic activities of Palestinian women in the area of microenterprise.

The objectives of the study were:

- To identify the reasons behind women's sectoral preferences.
- To learn how the involvement of women in the sectors of high growth potentials can be enhanced.
- To determine how the services of micro and small enterprise credit and training institutions may be optimized.

To identify the objectives, the methodology involved in-depth interviews with potential women entrepreneurs and current businesswomen. To do this they collected lists of current credit beneficiaries (businesswomen) and potential women entrepreneurs. The sample included 95 current businesswomen (distributed over the four targeted economic sectors). Interviews were done with current credit and training institutions in addition to current businesswomen (credit beneficiaries) and potential women entrepreneurs. Also focus group discussions were held.

Potential women entrepreneurs were largely found in the northern West Bank, with smaller numbers from the central and southern West Bank and very few in Gaza. The largest percentage of women expressed interest in establishing their own business enterprises. The majority of women expressed their preference for commercial, home-based businesses.

Reasons given by women for working from home are:

- Easier to operate from home.
- Shorter revenue /capital cycle.
- Lower start-up costs.
- Commercial businesses do not require particularly high skills or experience.
- Easier to finance start-up cost (low capital investment).
- Lower risks and higher profitability.

Potential women entrepreneurs expressed difficulty in identifying specific business ideas and securing financing. Regarding financing, they stated that they prefer to borrow from NGOs with simple terms and conditions.

Current businesswomen are largely in the service sector. The businesses women are involved in tend to reflect the roles typically played by women in Palestinian society and include beauty shops, sewing and knitting business, food processing, poultry breeding and kindergartens. Twenty-nine percent of women in the study's sample obtained loans from

NGOs. They prefer receiving loans from NGOs because they are more flexible and establish fewer conditions than commercial banks.

One of the most important findings of the study is that women who borrow from credit organizations demonstrate a greater capacity to take decisions related to their businesses, while women who established their business with the help of their husbands or family are more reluctant to make decisions on their own.

The study did encounter obstacles related to women's small microenterprises with regard to credit financing and training activities. Some of the most important obstacles were:

- The absence of businesswomen's associations and groups has contributed to the loss of focus among female entrepreneurs.
- There are difficulties in accessing information and data related to small business investment opportunities, and credit institution's services.
- The level of coordination between existing credit institutions is very weak.
- Current lending procedures, loan sizes, interest rates, grace periods and repayment systems do not seem to take into consideration certain geographic, social and economic constraints.
- Training institutions are utilizing mostly imported training modules that do not take local cultural and economic particularities into consideration.

The study concluded with a number of recommendations for government, credit institutions and training institutions. Some of these recommendations are quite good while others might need changes at the political level due to the military operation in the West Bank and the Gaza Strip. The recommendations were related to formulating laws that encourage women's small business ventures and simple procedural requirements for the registration of small enterprises. The most important recommendations pertaining to credit institutions is to establish a network linking credit and training institutions to facilitate information and to encouraging the establishment of associations and cooperatives for businesswomen on both the local and national levels. The most important recommendation pertaining to training institutions is to expand the scope of training services taking into consideration the cultural and economic context, with particular emphasis on training businesswomen in the legal aspects of small enterprises.

*Although the study has evaluated the conditions of current and potential businesswomen relatively well, further studies are needed to see what changes have taken place. It is highly recommended that such a study be repeated at a national level. While recommendations are useful, it is even more important to develop methods of investigation and policies for the implementation of recommendations. The study also attempted to survey the economic activities of women in neighboring Arab countries, mainly in Jordan. Learning from the experiences of projects taking place in a similar social and cultural contexts can be very useful.*



### 3. Conclusion

Microenterprises run by women were encouraged during the first intifada as a way to involve women in economic development, to replace Israeli products and to create employment opportunities for women. However, almost all studies that have evaluated these enterprises emphasized that despite their importance, they were unable to become viable and self-sufficient. This is partly due to the fact that large numbers of enterprises were established duplicating existing projects.

In the nineties, local and international NGOs developed a new approach to support microenterprise projects on a credit basis rather than simply providing funding. A number of organizations launched credit programs in a range of sizes for the Palestinian people. Women did receive a share in the loans, but it was extremely minimal. According to a study conducted by OXFAM/QUEBEC, the Technical Development Company and ACAD did not give any loans to women, of the overall credit extended by ANERA, 2 percent went to women, the YMCA granted 8 percent of its loans to women, and the Economic Development Group gave 2 percent to women. The only organization that gave a relatively large proportion of loans to women was PARC, which was about 36 percent.

Furthermore, the studies indicated that it is difficult for women's products to compete and marketing was identified to be the most significant impediment to these projects. *In this respect, credit organizations in association with NGOs must help women in identifying market needs in order to determine which businesses meet the needs of the market and will have a better chance of becoming self-sustainable.*

As discussed previously, credit organizations targeting women tend to offer small amounts of money, which often fail to meet the needs of establishing a project. One of the studies reviewed indicated that some loans granted to woman for business purposes were ultimately used to support the needs of the family and not applied to establishing an income-generating project as intended. Nonetheless, even in these cases the women have to start repaying the loan two weeks after receiving it. The same study indicated that in many cases the husband goes to get the loan on behalf of his wife. This shows that credit organizations must be developed to meet the practical and strategic needs of women.

Another problem studies reviewed have pointed at is associated with the lack of skills women possess in establishing micro enterprise projects. In this respect, intermediary programs run by NGOs in partnership with credit organizations must be developed to carry out training courses pertaining to micro enterprise projects for women who receive loans. Intermediary programs can be used to work in providing women entrepreneurs with sustainable access to micro finance, and support systems to enhance productivity. Moreover, providing information and advisory services in relation to markets as well as improving access to credit are equally important.

Of the studies concerning women entrepreneurs reviewed, some were found to be quite good but they need to be expanded and updated. Changes that have taken place in the past two years have brought about drastic transformations in all aspects of life. Although the studies made an effort to identify problems faced by women in business, many of these studies

surveyed a narrow range of women limited by sampling, geographical area and nature of work. Virtually all of the studies are now outdated, particularly those conducted between 1993 and 1997, and must be repeated taking into consideration the deficiencies found in reviewing the original studies.

Furthermore, these studies do not accurately reflect the current conditions facing women for many reasons. Almost all studies researched women's needs but failed to take a gender-specific perspective in approaching women's issues. Due to the continuing Israeli operations in the West Bank and Gaza Strip, a large percentage of the population is now living under poverty line and unemployment has risen drastically. The World Bank has estimated that the poverty rate dramatically increased from 21 percent in September 2000 to approximately 32 percent in December 2000, and rose to approximately 44 percent in late-2001. This affects women in many ways, in some cases leaving them to support their families after the death of husbands or male relatives. For these reasons, programs focusing on micro-level poverty alleviation for women must be implemented and designed for expansion in the coming years as conditions improve. Steps must be taken to reverse the tendency to neglect the needs of women in times of conflict in order to preserve and encourage the expanding role of women in economic development.

Extensive research is necessary to identify the current problems facing women, assess their needs and develop forward-looking solutions. The following are suggested areas for further research:

### **Market studies**

The informal sector is becoming very large and competitive especially in the current context of frequent and prolonged sieges by the Israeli forces. The informal sector supplies practically all basic products needed by the community. Women represent a large portion of informal sector labor, but are still unable to adequately compete with men for financial resources. Those women who are able to access financial resources often have to work in cooperation with men who frequently exploit them. Studies are needed to identify the needs of women in the informal sector.

1. In-depth studies of the informal sector with focus on women run businesses.
2. The role of the informal sector in alleviating poverty for female-headed households.
3. Market and feasibility study to assess potentials for women lines of businesses. This would help women to refocus their businesses and move to profitable businesses rather than stay with traditional easy businesses.

### **Agricultural micro enterprise studies**

There are no in-depth studies on women working in agriculture. This is a field that has been largely neglected in research and by credit organizations. Although PARC works with women in the agricultural sector, more work of this nature must be done. In-depth studies on women's work in agriculture, on micro-projects in agriculture run by women, identifying the needs of women, what is produced, the market situation, and the viability of the project...etc.

**Analysis of trends**

Studies to be done by credit organizations:

1. Credit organizations must conduct in-depth studies in poor areas to be able identify the needs of the community and women in particular.
2. Studies to measure the effect of political changes on clients.
3. Studies on improving the impact of micro credit, particularly in relation to women's enterprises.
4. Analysis of successful projects for comparison with projects that have failed.
5. Analysis of microenterprise projects that failed.

**Training needed by women entrepreneurs**

The need for training was reiterated in all literature reviewed but it was not clear whether training is taking place or not. Credit organizations must be involved in training through a network with local NGOs and consultants. Fields of training may include:

1. Project design
2. Management skills
3. Keeping financial records
4. Leadership and empowerment
5. Public relations
6. Negotiation skills
7. Costing

#### ***4. A Framework for an Emergency Intervention Action Plan***

Given the current dilemma that MFIs and women businesses are facing, what MFIs and women support organizations should do to alleviate part of the negative impacts and to mitigate the risks associated with the continued closures and siege?

No one would like to underestimate the seriousness of the situation and provide magic solutions. Some women businesses will die and exit the market, others will continue to struggle and few others may succeed to survive the crisis. It is unlikely to witness significant improvements in the near term and as such new emergency plans should be devised. Similarly, Micro Finance Institutions (MFIs) are not in a better position, arrears and default is in the rise, revenues decreased, ability to secure funding reduced and operating expenses increased. Consequently, the capital is being eroded and lending rates is falling down.

To help these women in their endeavors and to assist the microfinance providers to better serve their needs, particularly in the West Bank cities that have been most affected the following action plan is recommended:

##### **A. Guarantee scheme for new loans**

MFIs through their network should work together to prepare and design a guarantee scheme. The scheme would address insurance of new loans. The risk burden might be reduced when there is a guarantee scheme that provides some insurance for new loans. This can be arranged with donor fund to commercial banks which in turn provide concessionary loans to MFIs with risk sharing mechanism.

##### **B. Damage compensation**

MFIs may prepare a consolidated report filing all cases with true evidence and proper documentation of all physical damages occurred to their borrowers' projects. MAP project is currently designing a program supported by USAID for the purpose of compensating private sector firms experienced direct physical damage. Assessment of direct physical damage with proper documentation might be prepared to seek donors' assistance.

##### **C. Write offs subsidy**

MFIs should also work together to seek funding for capital erosion that results from write offs. Although this may face difficulties, but rational reasoning and justification may encourage those supported FMIs with capital in the past to assist in these difficult times.

##### **D. Default payments**

Many if not all MFIs already are forced to reschedule their due payments and/or extend loan terms, even without additional interests born by their borrowers. Although this policy may place additional expenses on the MFIs, it might prove the best way possible to reduce the risk of total delinquency.

**E. MFIs joint emergency program**

MFIs should jointly explore the opportunities of working together on certain issues and benefit from the economies of scale. For example, identify all borrowers in Jenin area, study them, classify their businesses, analyze common issues among them and find out what collective programs can benefit them. Collective purchase for a group of borrowers might prove feasible; marketing their produce through a defined channel may help all of them; exchange of products and inputs between borrowers; organization of an exhibition for their products in coordination with local authorities and institutions may support them.

**F. Training and counseling program**

The MFIs, through their network can also explore potentials for joint upgrading and counseling program. Structured training might be logistically difficult to organize under current circumstances, however, and whenever the opportunity arises for such training, it should be exploited to its maximum possible. Counseling and technical support can be also provided by the field loan officers and when specialized support is required, MFIs can jointly outsource the services. The program can be designed for various locations and managed in a decentralized approach in order to alleviate traveling difficulties.

**G. MFIs institutional development**

The current political situation and the low loan turn over may provide an opportunity for MFIs to invest in capacity building activities such as building effective MIS and tracking systems, risk grading system, shared intelligent information, due diligence and outreach system. Furthermore, actions to cut on operating expenses must be taken. The cost structure and elements can be analyzed and an action plan to reduce expenses can be devised.

The report findings indicate several alarming signals that should be considered. The way MFIs conduct business should be reviewed and efforts to find smarter ways of doing business should be explored. The traditional way of competition may destroy the market and the attitude of unwillingness to cooperate between MFIs prior to September 2000 should change into a wider vision of cooperation and in certain cases unification of efforts. The synergy that might be created among MFIs may generate better results and help all survive the crisis that may prolong for some time.